

Chapter 5

Achieving better procurement results through sound sourcing methods

This chapter describes positive consolidation initiatives implemented by the State's Employees' Social Security and Social Services Institute's (ISSSTE). Inversely, it also describes how the lack of communication and impact assessments limit these initiatives' benefits and how consolidation opportunities remain unexploited. The level of competition achieved in ISSSTE's procurement activities is also discussed, including the opportunity to reduce the use of exceptions to public tendering. Lastly, building on the experience of OECD countries, the chapter presents ISSSTE's benefits and challenges of increasing the use of flexible contractual instruments and of diversifying the evaluation and selection methods used by the organisation.

Introduction

The purpose of a procurement function is to obtain goods and services of the right nature, quantity and quality in order to meet identified needs at the right time and at the right price. Poor performance of that function can have a profoundly negative impact on an organisation's operations and its capacity to fulfil its mandate. On the other hand, efficient and effective procurement processes can provide a range of benefits and improve the outcomes achieved.

Establishing the optimal sourcing strategy for a requirement is a complex activity, as it requires careful identification and assessment of the prevailing specificities and risks associated with the product or service, its potential suppliers and particular market sector, and with the units to be serviced. Nonetheless, it may be the step of the procurement process that most contributes to optimising the benefits to the organisation while minimising and mitigating the risks inherent to each procurement process, thereby balancing all factors to achieve best value.

The OECD review found that the State's Employees' Social Security and Social Services Institute (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*, ISSSTE) has recently improved significantly its sourcing approaches through specific strategies such as consolidation and mechanisms to obtain better prices in cases where there is a low amount of competition. However, opportunities for improvement remain, such as opening public tendering to international suppliers when there is insufficient national supply capacity and using a larger range of procurement instruments and selection and evaluation methods. This chapter will give an overview of these topics and provide recommendations for improvement.

Consolidation initiatives

In its decentralised structure, ISSSTE puts a major emphasis on consolidation

As discussed in Chapter 1, a large number of ISSSTE's procurement units are decentralised, such fragmentation potentially limiting economies of scale and the possibility of achieving the best value for goods or services that are common throughout the organisation.

In order to avoid this shortcoming, ISSSTE has implemented consolidation initiatives for the procurement of various requirements through large contracts awarded at the central level. Requirements are identified by all decentralised units and aggregated at an organisational level, prior to being validated at the central level. Central procurement units then carry out the solicitation processes and award the resulting contracts. Other than achieving savings through economies of scale and greater competition, one of the objectives stated for some consolidation efforts is standardising products and services. Common goods and services consolidated at the central level include medicines, healing material, medical equipment, uniforms, cleaning, photocopies and computer consumables.

According to data collected by Compranet, three-quarters of the recent procurement procedures were carried out at the local unit level (i.e. delegations, hospitals and the National Medical Centre "20 de Noviembre"). However, consolidation efforts have

resulted in 90% of ISSSTE's procurement spending being managed at the central level (Table 5.1).

Table 5.1. Level of centralisation of ISSSTE's procurement activities

	Value of contracts		Number of contracts		Number of procedures	
	Central	Local units	Central	Local units	Central	Local units
2008	90%	10%	43%	57%	39%	61%
2009	88%	12%	33%	67%	25%	75%
2010	92%	8%	26%	74%	12%	88%
2011	95%	5%	44%	56%	12%	88%
Total	91%	9%	36%	64%	25%	75%

Note: Excludes FOVISSSTE, SuperISSSTE, TURISSSTE and PENSIONISSSTE.

Source: Author's calculation based on Compranet data provided by the Ministry of Public Administration, with corrections by ISSSTE.

In 2012, ISSSTE went one step further in its consolidation efforts by launching an initiative for the joint procurement of medical products (e.g. medicines not subject to patent, narcotics and psychotropics) and medical equipment (e.g. for radiology and laboratory) with other Mexican public medical service providers (Box 5.1). In December 2012, the International Social Security Association recognised ISSSTE's effort in such consolidation initiative by awarding it a Certificate of Merit under its ISSA Good Practice Award for the Americas.¹

Another process has been carried out for patent medicines which represent 56% of the total public expenditure on pharmaceuticals in Mexico (Gómez-Dantés et al., 2012). Since 2008, a unique price applicable nationwide for one year is negotiated for patented medicines through the Coordinating Commission for Negotiating the Price of Medicines and other Health Inputs (*Comisión Coordinadora para la Negociación de Precios de Medicamentos y otros Insumos para la Salud*) of which ISSSTE is a member. Since the creation of that commission, negotiated prices were obtained for more than 150 patented medicines. The World Health Organization estimated the associated savings in the Mexican public expenditure at more than USD 350 million (Gómez-Dantés, et al., 2012).

The Mexican experience is not unique; similar experiences in the United States have also shown that a joint purchasing alliance can lead to cost savings through higher economies of scale and competition, especially for common commodity and pharmaceutical products (Box 5.2).

Box 5.1. Joint procurement of medical products and equipment in the Mexican health sector in 2012

In March 2012, ISSSTE approached the Mexican Institute of Social Security (Instituto Mexicano del Seguro Social, IMSS), Mexico’s largest public health and social service provider, to consider the interest in jointly procuring selected products. Following a positive response from IMSS, subsequent discussions took place to implement this project, including with the Ministry of Public Administration (Secretaría de la Función Pública, SFP).

Other entities of the Mexican health sector also chose to participate in the consolidation, resulting in the publication, on 11 September 2012, of nine public tendering solicitations (seven for medical products and two for medical equipment). ISSSTE, IMSS and the National Defense Ministry (Secretaria de la Defensa Nacional, SEDENA) participated in all of them, while the Institute of Public Health Service of Baja California (Instituto De Servicios de Salud Pública del Estado de Baja California, ISELAUD) chose to consolidate its requirement for medical products only.

The selection method used for all solicitations is based on the lowest price, five being subject to reverse auction while four are based on the level of discount offered by the suppliers to reference prices established by the participating entities and identified in the solicitation. Furthermore, the resulting contracts provide some flexibility of the quantity acquired, identifying a minimum and maximum level for each product and each purchasing entity.

	680 medical products (medicines, dairy products, psychotropic and narcotics)	584 medical equipment (treatment, radiology and laboratory)
National public tendering	One procedure based on the “discount from reference prices” approach (seven products) Two procedures based on reverse auction (16 products)	One procedure based on the “discount from reference prices” approach (256 products)
International public tendering under trade agreements	Three procedures based on reverse auction (44 products)	One procedure based on the “discount from reference prices” approach (328 products)
Open international public tendering	One procedure based on the “discount from reference prices” approach (613 products)	No procedures

The solicitation documents were issued under the authority of IMSS. ISSSTE has a relatively minor share of the requirements, participating for only slightly more than half of the products covered (i.e. 675 of the 1264 items) and representing on average less than 20% of the maximum quantity for those 675 items.

Nevertheless, it is evident that ISSSTE’s needs have been considered in the process, some products included on the list being almost exclusively specific to it. Furthermore, the solicitations provided flexibility for each entity to determine the range of the resulting supply base. This has allowed ISSSTE to fulfil an identified objective, namely to implement simultaneous supply for such products. Under each solicitation, ISSSTE has therefore included the possibility of issuing two contracts for each product (representing respectively 60% and 40% of the maximum quantity), should two valid offers be received with prices within 5% of each other.

These joint solicitations have proven quite successful for ISSSTE as contracts were awarded for 90% of the items required by the organisation. Furthermore, ISSSTE estimates that it has achieved savings of 14%, or MXN 675 million (approximately USD 52 million), on the last prices paid for these products.

Box 5.2. Purchasing alliance in healthcare organisations across the United States

In the United States, the “Marketplace@Novation” purchasing alliance is one example of centralisation of health care services leading to increased procurement effectiveness through structural centralisation and economies of scale. This alliance includes over 2 500 healthcare organisations across the United States, with the combined purchasing power of USD 25 billion annually and has e-sourcing agreements with over 500 suppliers of medical, laboratory and safety equipment, capital equipment and services.

A study of 31 hospitals (Walker and Rowlinson, 2008) showed that each hospital achieved annual savings of USD 12 million by joining the alliance. Similarly, Burns and Lee (2008) found that purchasing alliances in the United States succeeded in reducing health care costs by lowering product prices, particularly for commodity and pharmaceutical items, as well as by lowering transaction costs through commonly negotiated contracts. Little evidence was found that such consolidation resulted in excluding new innovative firms from the marketplace or in restricted hospital access to desired products. However, there was evidence suggesting that alliances are less successful in providing other important services to hospitals and in mediating the purchase of expensive physician preferred items.

Sources: Walker, D. and S. Rowlinson (2008), *Procurement Systems: A Cross-industry Project Management Perspective*, Routledge Press; Burns, L. and J.A. Lee (2008), “Hospital purchasing alliances: utilization, services and performance”, *Health Care Management Review*, Vol. 33, July/September, pp. 203-215.

In addition to offering strong saving potentials, joint purchase initiatives can lead to some beneficial standardisation where the detriment of having access to a reduced number of solutions is outweighed by the organisational benefits in terms of price, quality and administrative efficiencies. Specialised products that are highly crucial to the activities of ISSSTE can be excluded from such standardisation and can be obtained, if required, through a separate procurement process.

Furthermore, the current joint initiative can give momentum to greater discussion and collaboration in the fragmented Mexican healthcare sector, potentially leading to synergies in other activities such as joint market research as well as the fight against corruption and supplier collusion.

In view of these benefits, ISSSTE may consider assessing the opportunity to increase the usage of centrally consolidated contracts and joint procurement with other entities of the Mexican health sector. As an example, SuperISSSTE, which also provides medicines to beneficiaries, reported that it does not currently participate in such initiatives.

Lack of communication and impact assessment hinder the outcomes and buy-in of central consolidation efforts

Developing a strong procurement strategy for a specific requirement can be complex and difficult. It entails carefully assessing the various prevailing specificities and risks associated with the product or service, its potential suppliers and particular market sector, as well as the areas receiving the products or services (such as distance from suppliers, size of the requirements, etc.).

As indicated in Chapter 1, central procurement units' activities are structured around specific groups of goods and services, resulting in greater expertise and efficiency in the associated procurement activities and improving the management of centrally consolidated contracts. However, the benefits of these contracts are countered by a lack of co-ordination and communication between the central areas and the decentralised units. This is found to have some negative impacts on the outcomes and acceptance of centrally consolidation efforts.

Decentralised units report that such initiatives are established with little or no involvement or feedback from them and their user areas, and without adequate follow-up to assess the impacts these initiatives have. As an example, the basis on which requirements are selected to be covered by a central contract may be unclear to decentralised units. Such lack of communication prohibits a significant level of information and expertise accumulated in the organisation throughout the years from being considered in the development of the strategy, and in some cases risks may not be adequately mitigated.

Many decentralised units have therefore emphasised their perception that some centrally consolidated contracts have had negative impacts, such as insufficient supply in some regions (for example due to delays in putting the central contracts in place), reduced coverage in services, inadequate supplier performance as well as a poorer quality service received. Longer delivery lead times would also result in products being received in a different financial year than expected, creating budgetary and payment difficulties. Finally, the requirement identification process would create difficulties for some units. As an example, the associated spreadsheets would be modified without notice, resulting in a duplication of efforts. As a large share of the requirements of some decentralised units is covered by these centrally consolidated contracts, any such negative impact could have significant consequences on their operations.

Interviews indicated that many stakeholders agree in principle with the benefits of such an initiative (for example in terms of savings at the organisational level) potentially outweighing their negative impacts (such as reduced capacity to supply locally and some standardisation). Unfortunately, the lack of data collection and assessment of the positive outcomes (e.g. savings) these strategies may have, hinder their buy-in in various procurement units and user areas. While at least one decentralised unit indicated these contracts as being highly beneficial, the current lack of evidence of the positive outcomes achieved results in most units focusing their attention on the negative impacts (perceived or actual) they experience. One unit even strongly stated its desire not to increase its participation in such initiatives. While some elements of the internal culture (such as a distaste for limitations) was raised as an explanation for such positions, it is clear that a strong buy-in for the ongoing consolidation initiatives still has to be achieved for a large number of stakeholders.

When developing the strategy for centrally consolidated contracts, ISSSTE could implement formal dialogue with the decentralised procurement and user areas to facilitate their acceptance and to adequately take into account all of the available corporate intelligence (product, market and beneficiary units), thereby maximising benefits and mitigating existing risks. Furthermore, it could assess, through adequate data collection and follow-up with the units, the positive and negative outcomes of the consolidated contracts that have been carried out. Doing so will enable identifying and addressing the negative impacts, both for the current contracts as well as for subsequent ones. In line with the recommendation of Chapter 1 to strengthen communication, ISSSTE could also

ensure it fully communicates the resulting positive outcomes for the organisation to all appropriate stakeholders (procurement units, user areas, senior management, external partners, etc.), for example through regular e-mails and promotional documents, as to increase the visibility of these initiatives and the internal buy-in.

Consolidation opportunities are lost at the local and regional levels

Other opportunities for consolidation exist in the organisation. For example, audits of the Internal Control Office (*Órgano Interno de Control*, ICO) of SFP have reported contract splitting – i.e. dividing requirements into smaller ones (potentially to award them with no or limited competition) or procuring different requirements and phases of a project separately rather than combining them when appropriate – a common irregularity in ISSSTE’s procurement process.

Some instances of such apparent contract splitting may be associated with uncertainty concerning the budget level and timing (see Box 5.3). However, it may also result from a lack of planning or an intent to circumvent the established procurement policies, either to speed up the procurement process (due to unwarranted urgency, for example) or to favour a particular product or supplier. This issue is not limited to ISSSTE, but is widely recognised as a risk to the integrity of any procurement process (OECD, 2007; 2009).

In order to reduce the occurrence of such irregularities, ISSSTE could first consider clarifying what practices are considered to be requirement/contract splitting in its internal Policies and Guidelines concerning ISSSTE’s Acquisitions, Leasing and Services (*Políticas, Bases y Lineamientos en Materia de Adquisiciones, Arrendamientos y Servicios – POBALINES*) in order to provide greater clarity to all stakeholders.² Since procurement units are the best positioned to identify and prevent contract splitting, the importance of this issue should be reinforced, potentially through the implementation of an associated performance indicator.

ISSSTE could also consider periodically assessing the pattern of all contracts awarded below specific thresholds, potentially focusing (for efficiency purposes) on those within a specific percentage of these limits or through random contract reviews. Possibilities of contract splitting, as well as opportunities for contract consolidation, could then be identified when various small contracts below these limits are issued for the same requirement code (*claves*) for the same client unit, whether or not they are from the same suppliers. In the case of projects involving various distinct requirements, a more detailed review of the nature and timing of their acquisitions against the recommended clarifications in ISSSTE’s POBALINES could also be carried out. Should an organisation-wide e-procurement system be implemented, as suggested in Chapter 8, ISSSTE could also consider implementing functionalities to facilitate such review and preparation of the associated reports, as well as automatically advising applicable stakeholders (e.g. procurement units, ICO) of suspect activities, such as two or more contracts being awarded for a specific user within a short period of time for the same product code.³

However, when asked what the significant constraints to their procurement activities are, decentralised units responded that their requirements (quantity and value) for products and services that are not covered through centrally consolidated contracts are often too small to justify the use of a competitive process or of effective procurement instruments, and have to be met through direct award contracts. On the other hand, interviews conducted under this review revealed the existence of individual consolidation

initiatives between close delegations, such as for day-care and pre-school services. ISSSTE could assess the opportunity to build on these efforts and promote increased consolidation at the unit or regional levels.

Level of competition and use of exceptions to public tendering

ISSSTE does not maximise competition in its use of public tendering

Competitive tendering enhances transparency in the procurement process and provides equal opportunities and access to potential suppliers. Government officials, however, must determine the optimum procurement strategy that balances concerns for administrative efficiency with competition and fair access for suppliers.

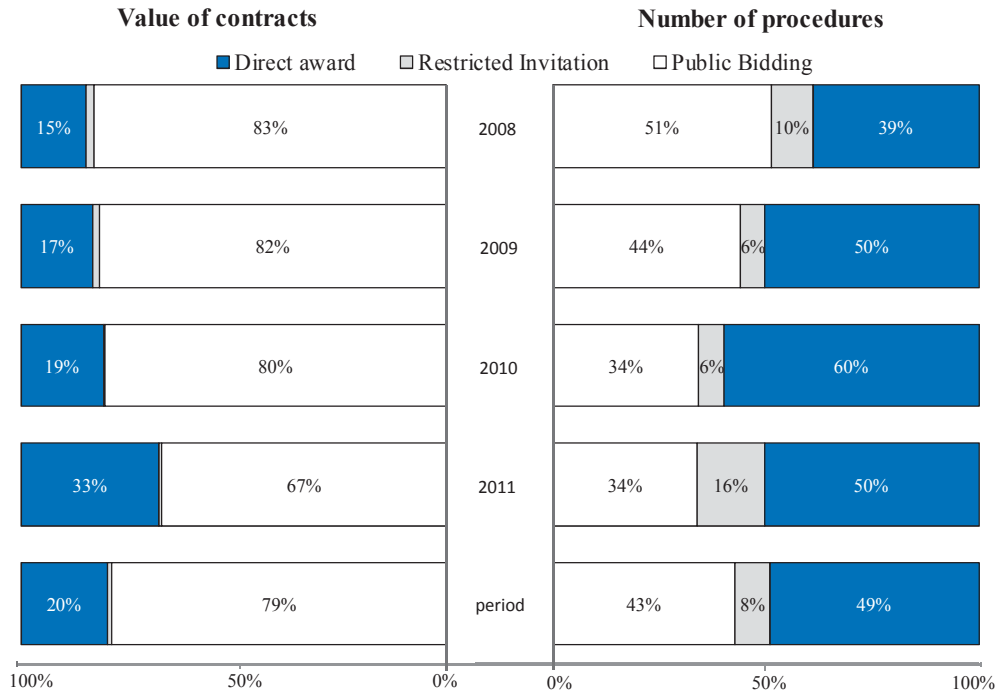
The Mexican procurement legal framework establishes the use of three distinct procurement procedures: *i*) public tendering (also known as “open tendering”); *ii*) invitation to at least three suppliers; and *iii*) direct award. The preference for the first approach is set out in the Mexican Constitution and restated in the procurement legislation in order to guarantee the best available conditions for price, quality, financing, opportunity and other relevant factors. However, various established exceptions allow for the use of the two other approaches.

ISSSTE has achieved a relatively high level of competition over the last few years, as almost 80% of its procurement spending (including public works) was carried out through public tendering over the period 2008 to 2011, notwithstanding a significant decrease in 2011 (Figure 5.1).

However, ISSSTE did not achieve the full benefit of these public tendering procedures as only 22% of them in number (44% in value) were open to suppliers outside of Mexico, these shares being even lower for procedures carried out by local units (Figure 5.2). For the purposes of determining who can submit a proposal and under what circumstances, public tendering procedures are classified in Mexico as national, international (if covered by international trade agreements, such as the North American Free Trade Agreement), and open international. In Mexico, preference is given to national tenders, or when applicable, to international tenders covered by international trade agreements.⁴

Procurement officials at the central level indicated that the national suppliers do not always have the best capacities or do not allow for sufficient competition. In order to mitigate this risk, the current procurement regulations require ISSSTE to perform market research prior to any solicitation or contract associated with goods, services or leases, amongst others to verify the existence of national or international suppliers with the capability of meeting the requirements. In the absence of sufficient capacity, the organisation is allowed to use international public bidding. However, procurement officials indicate difficulties in substantiating a decision to go directly to international public tendering, partly due to the limited market research currently being undertaken (see Chapter 6). Similarly, some suppliers indicate that chambers representing local suppliers would put pressure on ISSSTE to carry out all solicitations at the national level first, even in the absence of sufficient capacity. As a result, almost 80% of the public tendering procedures undertaken by ISSSTE from 2008 to 2011 were only open to national suppliers (Figure 5.2), in some cases resulting in a low level of competition.

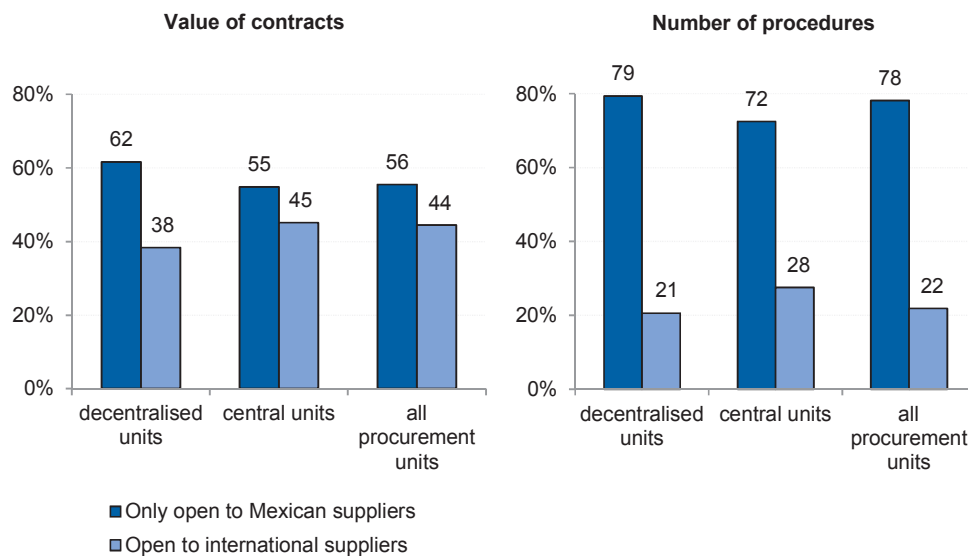
Figure 5.1. Breakdown of ISSSTE's contracts recorded in Compranet by type of procedure (2008-2011)



Note: Excludes FOVISSSTE, SuperISSSTE, TURISSSTE and PENSIONISSSTE.

Source: Author's calculation based on Compranet data provided by the Ministry of Public Administration, with corrections by ISSSTE.

Figure 5.2. Breakdown of ISSSTE's public tendering procedures by type of supplier allowed to participate (2008-2011)



Note: Excludes FOVISSSTE, SuperISSSTE, TURISSSTE and PENSIONISSSTE.

Source: Author's calculation based on Compranet data provided by the Ministry of Public Administration, with corrections by ISSSTE.

In many instances, this results in an unsuccessful national public tendering procedure, with no valid offer received. While the Law of Acquisitions, Leasing and Services of the Public Sector (*Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público*, LAASSP) then allows ISSSTE to issue a public tendering procedure open to all international suppliers,⁵ it also allows for the opportunity to acquire the goods or services on a direct award basis as long as the requirements and conditions remain unchanged (Article 42-VII of the LAASSP, as further discussed below). According to data provided by ISSSTE, at least 20%, both in number and value, of all contracts for goods and services awarded to suppliers without competition between 2008 and 2011 were justified through Article 42-VII.

Furthermore, procurement officials interviewed for this review indicated that some suppliers may manipulate the procurement system in order to increase prices, such as limiting the level of completion and using unsuccessful public tendering as a mechanism to be awarded the contracts on a direct award basis. In order to mitigate such risks and improve the conditions obtained under its contracts for medicines and medical equipment, the Medical Supplies Sub-directorate (Subdirección de Abasto de Insumos Médicos) has recently implemented the two-fold strategy described in Box 5.3.

Box 5.3. ISSSTE's recent strategies to address a low level of competition for some medicines and medical products

Recognising that various factors may limit competition in the acquisition of some medicines and medical products, ISSSTE implemented the following strategies in 2012:

- **The “discount from reference prices” approach for public tendering procedures:** only accepting offers lower than the maximum price identified by ISSSTE in the solicitation documents and determined through market research. Between January and June 2012, this approach was used for 38 product codes and an average discount of 19% was achieved (i.e. almost MXN 80 million or USD 6.3 million).
- **When public tendering for a specific product fails, benefiting from existing contracts of IMSS:** in the first half of 2012, 48 products that were unsuccessful under public tendering procedures were procured directly from IMSS. For 28 other products, ISSSTE negotiated contracts with IMSS’ suppliers to obtain the same price as IMSS, achieving savings of 46% (i.e. more than MXN 17 million or USD 1.3 million) of the reference prices it had initially established. This practice was recognised by the International Social Security Association who awarded to ISSSTE, in December 2012, a Certificate of Merit under its ISSA Good Practice Award for the Americas.¹

As a result of this strategy, ISSSTE reports having achieved savings of almost MXN 100 million (USD 8 million) from its reference prices, i.e. the price that it was willing to pay under the unsuccessful public tendering procedures.²

Notes:

1. Details on the ISSA Good Practice Award for the Americas are available at www.issa.int/News-Events/News2/The-ISSA-Good-Practice-Award-for-the-Americas. Competition results for 2012 can be found at www.issa.int/content/download/173040/3434431/file/2-GPA-Americas2012.pdf, accessed 4 October 2013.

2. The results of these strategies clearly illustrate a deficiency in ISSSTE’s market research capability. While a portion of the savings resulting from “tapping” on IMSS’ contracts (46%) may be associated with economies of scale, it is obvious that the reference price established by ISSSTE, i.e. the maximum price it was willing to pay for the products, was significantly higher than the price at which the suppliers were willing to sell.

In order to ensure a high level of competition under its public tendering, ISSSTE could consider opening its call for tenders to international suppliers whenever insufficient supply capacity at the national level is demonstrated through detailed and solid market research.⁶ However, doing so will remain a challenge as long as the organisational capability and practices associated with market research are not strengthened.

In cases of an unsuccessful national call for tenders, ISSSTE could also consider issuing, whenever possible, a second competitive procedure open to all international suppliers. This would be in line with a recent legislative change to the LAASSP in early 2012 to promote greater competition in such situations.⁷ In default of doing so, ISSSTE should continue implementing the recent strategies described in Box 5.3 for obtaining better prices in situations where there is a low level of competition.

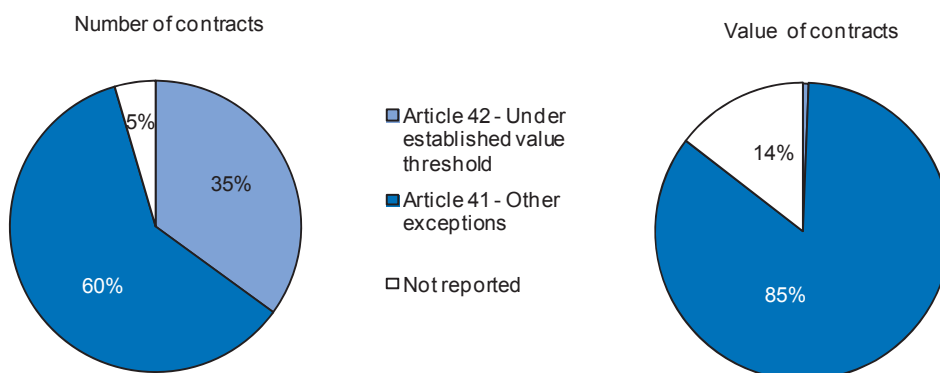
ISSSTE could obtain better conditions by reducing the use of exceptions to public tendering

Notwithstanding the high level of contracts subject to public tendering, there is still room for further progress, for example in taking precautionary measures in the use of exceptions to public tendering as stressed in the *OECD Principles for Enhancing Integrity in Public Procurement* (OECD, 2009). Both the LAASSP and the Law of Public Works and Related Services (*Ley de Obras Públicas y Servicios Relacionados con las Mismas*, LOPSRM) allow procedures to be excluded from public tendering due to the low value of their requirements (LAASSP Article 42; LOPSRM Article 43) and for various other justifications (LAASSP Article 41; LOPSRM Article 42).

Deficiencies in data available from ISSSTE (see Chapter 4 for further details) did not allow a clear assessment to be made of the use of such exceptions at the decentralised unit level. However, interesting insight can be gained from looking at contracts for goods and services awarded at the central level, which represent more than 90% of the value of all contracts issued by ISSSTE as indicated in Table 5.1. While more than one third of these direct award contracts from 2008 to 2011 were justified by their low value, they represented a very small percentage in terms of value. Actually, the vast majority of the contracts awarded without competition at the central level were substantiated through other exceptions (Figure 5.3).

A portion of these exceptions can be explained by the nature of the products acquired by ISSSTE (e.g. patent medicines) and of the services it provides (e.g. medical emergencies or epidemics), or by unusual events or opportunities on the market. However, another portion may result from urgencies and circumstances internal to ISSSTE, such as inadequate planning (both on requirement forecasting and of management of the procurement process) and lack of market intelligence (both on the availability of alternative products and services and on the capacity of national suppliers to meet the requirement).

Figure 5.3. Direct award contracts for goods and services at ISSSTE central level by exception to public tendering (2008-2011)

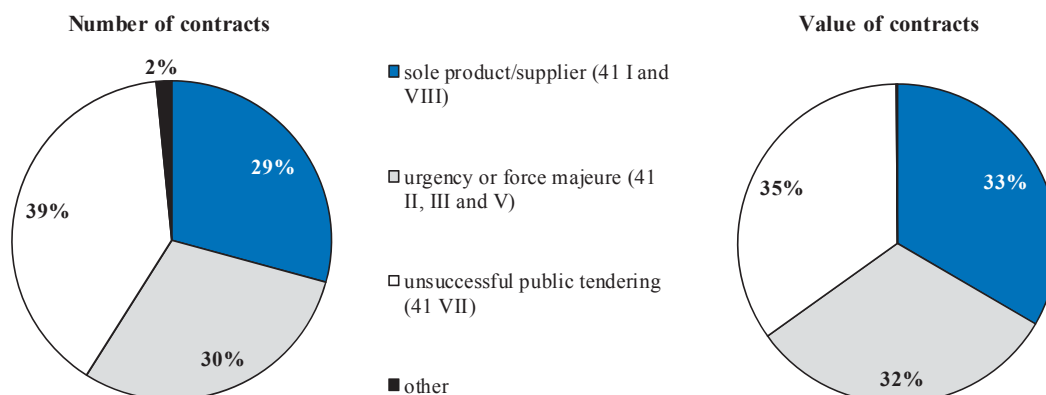


Source: Author’s calculations based on information provided by ISSSTE

As shown in Figure 5.4, contracts for goods and services awarded at the central level under exceptions of Article 41 of the LAASSP over the period 2008 to 2011 can be almost equally be attributed to three main categories of exceptions:

1. the existence of only one product, supplier or brand meeting the requirement (LAASSP Article 41, fractions I and VIII);
2. some form of urgency such as unforeseen events, force majeure or significant costs/losses occurring if a public tendering procedure is used (LAASSP Article 41, fractions II, III and IV); and
3. a public tendering was carried out unsuccessfully for the requirement (LAASSP Article 41, fraction VII).

Figure 5.4. Direct award contracts for goods and services at ISSSTE central level by identified exceptions to public tendering, other than for low value (2008-2011)



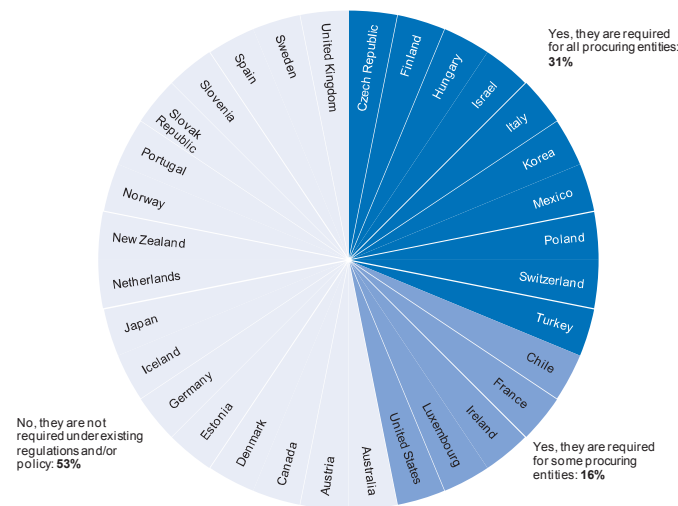
Note: Only includes contracts for which the specific exceptions of Article 41 to the LAASSP were identified by ISSSTE.

Source: Author’s calculations based on information provided by ISSSTE

ISSSTE could therefore look for opportunities to reduce the use of exceptions to public tendering. First, it could reduce its reliance on products subject to intellectual property rights, for example by reducing its use of equipment available only from one supplier or ensuring that associated parts and maintenance services can be obtained from multiple sources. Furthermore, the Institute could investigate on a regular basis the use of the exception for urgency and *force majeure* in order to identify opportunities to improve the planning and management of its procurement function and reduce such occurrences. While such practice is recommended under the *OECD Principles for Enhancing Integrity in Public Procurement* (OECD, 2009), only 47% of the countries that responded to a recent OECD survey require assessments or audits to evaluate *ex post* the use of exceptions for direct awards of contracts at the central government level (Figure 5.5). Of those who do, 33% undertake them on an ad-hoc basis (OECD, 2012a).

Figure 5.5. *Ex post* assessment of the use of exceptions for direct awards of contracts at the central government level

Are assessments/audits required to evaluate *ex post* the use of exceptions for direct awards of contracts at the central government level?



Source: OECD (2012a), “OECD 2012 Survey on Public Procurement” (Unpublished internal document), OECD, Paris.

As discussed before, when a national tendering procedure for goods and services is unsuccessful, the law allows ISSSTE to reissue it at the international level rather than issuing a contract without further competition under the Article 41 VII exception of the LAASSP. The responsibility to determine the adequacy of using this exception rests with the user or requesting area (therefore at an operational level) rather than being subject to approval by the Goods, Leasing and Services Committee (*Comité de Adquisiciones, Arrendamientos y Servicios*) as many other exceptions are (see Chapter 3 for further details). The responsibility for the market research, from which it is determined whether international suppliers are allowed to participate, also partly rests with the user or requesting area if no specialised market research area is in place.

This current allocation of responsibilities creates integrity risks, including the possibility for a user area to voluntarily fail to document insufficient national capacity in

the market research so that the resulting national public tendering procedure is unsuccessful, thus creating the opportunity to award the contract to a preferred supplier without further competition. This risk is even higher in view of some suppliers taking actions to manipulate the result of the solicitation process. One example identified in interviews is for manufacturers to revoke, in the last stages of a tendering process, their authorisation to one or several of their distributors (generally the lowest bidder).

As suggested above, ISSSTE could endeavour to limit the use of the Article 41 VII exception by requiring unsuccessful national level tendering procedures to be issued at the international level, unless this would result in clear and unavoidable damages to the organisation or prevent it from meeting its obligations. In addition, ISSSTE could consider increasing its scrutiny on the use of this exception by requiring approval from a higher operational level, as is the current practice in the Federal Electricity Commission (*Comisión Federal de Electricidad*, CFE), but preferably through the Goods, Leasing and Services Committee as for most other exceptions.

Procurement instruments

Increasing the use of flexible contractual instruments would enhance the outcomes and efficiency of ISSSTE's procurement function

As highlighted in Figure 5.1, a significant number of ISSSTE's procurement procedures over the last years were undertaken without any competition (between 40% and 60% for each year for the contracts recorded in Compranet), this percentage being particularly high in local units due to the low value of their requirements. Even at the central level, more than one third of the contracts awarded without competition over that period were justified because of their low value (Figure 5.3). This situation raises concerns about: *i*) sub-optimal prices being obtained for these contracts; and *ii*) the allocation of significant human resources to issue and manage such a large number of low-value contracts instead of concentrating them on higher value activities.

In addition to increasing consolidation efforts as suggested above, ISSSTE could address these concerns by increasing the use of efficient, value-adding procurement instruments ensuring adequate supply, standardisation and fair prices while reducing the level of effort required. Such instruments available to ISSSTE include:

- **Framework agreements** (*contratos marcos*), also referred to as standing offers in some OECD countries: this procurement instrument is used for standard goods or services and awarded in Mexico to two or more suppliers on a competitive basis by SFP. As a first stage, pertinent contract provisions (including prices) are agreed upon with the suppliers under the framework agreements in order to secure the best conditions and benefit from volume savings. Mexican federal public entities are subsequently allowed to issue contracts under them for the delivery of specific quantities without having to undertake another competitive process. As such, this instrument allows an expeditious, simplified order process once the actual requirement has been identified.

According to a recent OECD survey, 97% of the responding countries reported this instrument as routinely used in some or all procuring entities at the central government level. (OECD, 2012a). In the European Union, framework agreements represented 27% by number and 42% by value of all central purchasing contracts over 2008 and 2009 (EC, 2011).

Box 5.4 describes the framework agreements currently in place in the Mexican federal government and the savings recently achieved by using them. These instruments are reported as being used since 2011 by some of ISSSTE's central procurement units for requirements such as event preparation and vehicle maintenance. However, contracts awarded under framework agreements at the central level in that year represented only 3.5% of the total number of contracts awarded on a direct award basis, and less than 1% of the value of these contracts. Furthermore, framework agreements are generally not used at the delegation level, some delegations explaining that the nature and characteristics of the goods and services available through them do not reflect their requirements.

- **Open contracts** (*contratos abiertos*), procurement instruments used in Mexico under which a minimum quantity is guaranteed to the supplier, and additional quantities can be obtained at the same price up to a pre-determined limit. This appears to be ISSSTE's most commonly used flexible procurement vehicle, although available data does not allow an assessment of the extent to which it is used.
- **Multi-year contracts** ensure continuity in supply and provide economies of scale. While common in central contracts for public works, due to the nature of the requirement, their use is still limited at the central level. However, various procurement units have indicated a desire to use them more often. This instrument is essentially not used at the delegation level, except for daycares and pre-school services as to ensure coverage for the entire school year. This instrument could, however, prove extremely beneficial to the organisation, for equipment or services whose replacement results in a significant expense or disruption to operations, for example.
- **Contracts with option**, under which the purchasing entity has the option – i.e. the right, but not the obligation – to obtain additional predetermined goods or services or to extend the period of the contract under predetermined conditions (including prices), such option being exercised through an amendment to the contract.

As for framework agreements, this instrument has the advantage of limiting the initial commitment of the original contract while allowing the procurement of additional goods or services without having to undertake another procedure. However, it is more flexible, as the additional goods or services do not have to be the same as under the original contract and can be obtained under different contractual conditions (such as different, yet pre-established, prices). This approach, routinely used in some or all procuring entities of the central government of 75% of the OECD countries (OECD, 2012a), does not appear to be used often – if ever – in the Mexican federal government and no evidence has been found of ISSSTE using it.

While all of these instruments increase the efficiency and flexibility in meeting various requirements and improve conditions (including prices), they each have advantages and constraints. As such, ISSSTE should carefully assess the most appropriate instrument for each requirement and context.

In line with the experience of other OECD countries such as Canada (see Box 5.5), ISSSTE could consider modifying its POBALINES to make the use of existing framework agreements mandatory for selected requirements, unless a valid justification is

approved by the appropriate authority. Doing so would maximise the use of these instruments and increase the efficiency of the procurement units. The higher volume of business resulting from such an organisational-wide use would also enhance the interest of suppliers and improve the conditions and savings obtained by ISSSTE.

Box 5.4. Framework agreements implemented by the Ministry of Public Administration (SFP)

In January 2010, SFP initiated the award of framework agreements in order to increase the efficiency of the procurement process for common goods and services and achieve savings through economies of scale. As of mid-September 2012, ten such agreements were in place for the provision of:

- patented medicines;
- call centres;
- airline tickets (reservations, issuance and delivery);
- workwear, safety footwear and personal protection equipment;
- tree pruning;
- vaccines;
- organising events;
- preventive and corrective maintenance of vehicles;
- safety footwear;
- dashboards.

SFP estimates the resulting savings to have reached almost MXN 740 million (almost USD 60 million) for 2011 alone, most of it through the framework agreement put in place for the Mexican national state oil company Petróleos Mexicanos (PEMEX) for workwear, safety footwear and personal protection products. It also calculated that the use of these instruments resulted, in 2010, in a reduction of up to 95% of the time required by entities to issue a contract to meet a requirement for these goods and services.

Source: SFP (2012), *Estrategias de Contratación: Informe de Resultados 2009-2012*, SFP, Mexico City, www.funcionpublica.gob.mx/web/doctos/ua/sracp/upcp/mejores-practicas/informe_de_resultados_2009_2012_v130712.pdf; SFP website, www.funcionpublica.gob.mx/index.php/ua/sracp/upcp/contratos-marco.html, accessed 2 October 2012.

Box 5.5. Mandatory standing offers and supply arrangements in the government of Canada

The Public Works and Government Services Canada (PWGSC) Business Transformation Initiative was approved in 2005, modifying various elements of the supply approach of that federal central procurement agency. Amongst others, the federal contracting policy was modified to render the use of existing framework agreements mandatory for selected requirements, in order to ensure long-term benefits and savings through government-wide use of such contracts. The associated commodity groups are:

- ground effect vehicles, motor vehicles, trailers, and cycles
- supplies and devices
- general purpose automatic data processing equipment, including firmware, software, supplies and support equipment

Box 5.5. Mandatory standing offers and supply arrangements in the government of Canada (Cont)

- furniture
- information processing and related telecom services
- telecommunications equipment and accessories
- clothing, accessories and insignia
- office machines, text processing systems and visible recording equipment
- fuels, lubricants, oils and waxes
- professional, administrative and management support services

Prior to putting in place any procurement instrument or contract for a requirement covered by these commodity groups, federal procurement units (either from PWGSC and any other federal department or agency) must first verify whether a framework agreement exists that meets their requirements. If one does, they are required to use it, unless one of the following conditions applies:

- the good or service available through the framework agreement does not meet justifiable operational requirements, including specifications or delivery dates;
- the value of the requirement exceeds the financial threshold of the contracts allowed to be issued under the framework agreement;
- an existing contract is in place, which guarantees the work to another supplier;
- the requirement is subject to contracting obligations under a legal aboriginal agreement (Comprehensive Land Claims Agreements) or will be set aside under the Canadian Procurement Strategy for Aboriginal Business, and no mandatory procurement instrument exists for such agreements.

In such instances, procurement units must contact the PWGSC authority responsible for the applicable framework agreement and explain why they should be exempted from using it. Notably, if a lower price is available for an equivalent good or service, by means other than the mandatory framework agreement, the procurement unit is requested to inform the PWGSC authority responsible for that instrument, so that appropriate actions can be taken.

Sources: Treasury Board of Canada Secretariat (2005), *Business Transformation Initiative – The Way Forward*, Policy Notice, TBS, Ottawa, Ontario, www.tbs-sct.gc.ca/pubs_pol/dcgpubs/contpolnotices/2005/04-eng.asp; PWGSC (2012), *Supply Manual – Version 12-2*, Public Works and Government Services Canada, Ottawa, Ontario, <https://buyandsell.gc.ca/policy-and-guidelines/supply-manual>, accessed 4 October 2013.

Flexible instruments can also assist in mitigating risks and constraints in the procurement cycle

In addition, these instruments can be used to mitigate some constraints and risks experienced by the organisation. Box 5.6 provides the example of budget uncertainty which is identified by many procurement units as one of – if not the – biggest challenges they face in managing their activities.

The infrequent use of these flexible instruments within ISSSTE can be partly explained by their limited visibility to the procurement units and existing confusion on their use. As evidenced by the recent experience of New Zealand (Box 5.7), strong communication is required to increase the level of buy-in and penetration of these instruments, both internally (e.g. user areas, procurement units) and externally (e.g.

suppliers of the relevant industry sectors). As such, ISSSTE could consider proactively involving applicable stakeholders in their development and developing guidance documents and training to clarify how and when they are to be used.

Box 5.6. Mitigating uncertainty in budget allocation through appropriate procurement instruments

Uncertainty over the budget availability (both in terms of timing and level) is a factor commonly reported as having a profound negative impact on the efficiency and management of ISSSTE's procurement function. Budget available at the beginning of the year is often deemed insufficient to cover all of the annual requirements, although additional funds may become available later in the year. This situation impacts the procurement process mainly at two levels:

- **Difficulty in planning the procurement activities:** as budgets become available, users often ask the procurement units to obtain the required goods or services upon short notice. The resulting high level of "urgent requests" and pressure to reduce timeframes significantly impact the procurement planning and processes and may result in contract splitting, the use of restrictive requirements, improper use of exceptions to public tendering, reduced time for suppliers to submit their offers, unrealistic delivery schedules, etc.
- **Repetitive identical procurement processes** being undertaken for the same good or services, as funds become available. Not only are resources then wasted, but the organisation is unable to achieve the best conditions through an economy of scale.

ISSSTE could mitigate the negative impacts of such budget uncertainty through judicious use of the following procurement instruments which limit the financial commitment to the budget initially available while allowing to subsequently acquire (rapidly and with limited effort) additional goods and services as and when additional financial resources become available:

- Maximising the use of **open contracts**, establishing the minimum quantity at the level of the budget initially available.
- Establishing, in collaboration with SFP, **additional framework agreements** for requirements common to several of ISSSTE's procurement units. Contractual conditions are established through these instruments, including prices benefiting from economies of scale, but the financial commitment only occurs when ISSSTE awards a contract under them.
- Introducing, in appropriate contracts, **options** for additional goods or services or a time extension. No financial commitment is made for the options, but ISSSTE can obtain additional goods or services at a later date through a simple contract amendment if the requirement remains valid and funds are available.

ISSSTE could also consider regularly assessing and communicating the benefits and outcomes (such as savings) that are achieved by using them. This particularly important activity represents a challenge in many OECD countries. Approximately half of them report that the savings generated from their framework agreements are not calculated in central government, primarily due to a lack of data and of resources (either financial or workforce) and insufficient incentive/obligation (OECD, 2012a). Taking this into account, ISSSTE should ensure to have in place the necessary data collection, resources and mechanisms to undertake such assessments.

Box 5.7. All-of-Government Contracts in New Zealand

In 2009, New Zealand launched a four-year Government Procurement Reform Programme. One of its key achievements is the establishment since 2010 of All-of-Government (AoG) contracts in order to create a single supply agreement between the Crown and the approved suppliers for the supply of selected common goods and services purchased across government. By aggregating the purchasing function, these contracts support the government in achieving cost savings and increasing productivity gains, ultimately leading to a more competitive economy.

- **Cost savings:** the AoG contracts allow the government to increase the collective buying power of over 200 State sector agencies thus making it an important customer and achieve substantial cost savings. These savings are used by agencies to implement other priorities with a small portion (1.5%) utilised to fund the Government Procurement Reform Programme, including the establishment of additional AoG. The first four AoG contracts are estimated to have achieved savings of NZE115-165 million (EUR 67-96 million at 24 October 2011) over their five-year term.
- **Productivity gains:** the AoG contracts allow the state organisations to streamline the purchasing process for suppliers. In fact, organisations no longer develop their own tenders but buy directly from selected panel suppliers and maintain day-to-day operating relationships with them.
- **Building competitiveness:** the AoG contracts consolidate the government procurement thus increasing its size and volume of procurement and building a real market for industry to invest further in labour, equipment, research and development which may lead suppliers to develop more innovative products.

Challenges and risks

One of the challenges faced in designing and implementing the AoG contracts by the government was the level of take up of agencies. Many had existing multi-year contracts for the products targeted and were reluctant to change their arrangements (especially that, unlike core departments, agencies in the wider state sector could not be mandated to adhere to AoG contracts). In the case of the AoG desktop computer/laptop contract, some agencies were unwilling to change to a different brand of computers. These challenges were largely overcome by proactive work to brief agencies on the benefits of AoG contracts (it is estimated that more than 2 400 officials have been briefed since the programme's inception). Eventually high participation was achieved, providing the critical mass required to achieve significant savings.

Key lessons learned

Success in negotiating contracts on this scale requires high standards of professionalism and capability, as well as specialist market expertise, on the part of the procurement staff leading the negotiation. Effective engagement with agencies and the relevant industry sectors in setting up the contracts is crucial. Systematic monitoring and collection of costs savings data encourages wider enrolment in the AoG contracts by non-mandated agencies.

Source: OECD (2012b), "Progress Made in Implementing the OECD Recommendation on Enhancing Integrity in Public Procurement", OECD, Paris, www.oecd.org/gov/ethics/combined%20files.pdf, accessed 4 October 2013.

Evaluation and selection criteria

ISSSTE experiences difficulties in using evaluation and selection methods other than the mandatory criteria and lowest-price approach

As early as 2009, the LAASSP indicated a clear preference for evaluation and selection based on the points and percentages (*puntos y porcentajes*) approach or the cost-benefit approach, requiring the use of these approaches for requirements involving highly

specialised technology or technical innovation and calling for specific points to be awarded in support of complementary policies (for example to small and medium enterprises and to firms employing handicapped persons). The associated LAASSP rules went one step further by stipulating that the procurement area must provide a written justification whenever the mandatory criteria/lowest bid approach (*evaluación binario/precio más bajo*) is used.

In order to increase consistency and clarity in the use of the points and percentages approach, SFP issued specific guidelines in September 2010 regarding the criteria categories allowed, their respective weightings, as well as the methodology to calculate the total score (taking into consideration the financial proposal) from which the best proposal is determined.

Interviews and surveys conducted under this review indicate that, until recently, ISSSTE had nonetheless based its procurement strategies almost exclusively on the mandatory criteria and lowest-price approach. The use of this approach may be legitimate for the acquisition of standard goods, as it facilitates the evaluation and selection process while ensuring that minimum requirements are met. However, a selection method based only on price may sometimes result in various negative impacts for the organisation, such as lower quality, unsecure supply and unsatisfactory performance of the suppliers. While the implementation of appropriate strategies can mitigate these adverse impacts, they can remain a significant risk if an unbalanced priority is put on prices.

Furthermore, the use by ISSSTE of the mandatory criteria and lowest-price approach for large requirements deviates from the practices of many OECD countries, as recent research on the centralised purchasing systems in the European Union indicates they almost never establish their framework agreements based on lowest prices (OECD, 2011).

ISSSTE should also be careful of false savings, i.e. reductions in procurement prices that are more than outweighed by cost increases in operation, disposal and implementation. As an example, the replacement of medical equipment may also require training (both to medical staff and to users), facility reconfiguration, replacement of consumables, as well as different operational and disposal costs, etc. For some equipment, it may therefore be pertinent to consider a full life-cycle cost approach in the cost assessment, not limiting it to initial acquisition prices. This process could be facilitated through the development of general guidelines for identifying the products for which this approach should be considered, cost elements to be considered, methodology to calculate the life-cycle costs, etc.

Training and guidance are required for ISSSTE to overcome these difficulties

The mandatory criteria and lowest-price approach may not be the most appropriate approach for complex equipment and services as it does not allow taking into consideration characteristics which, while not essential, provide better value for the organisation (for example, more effective medical equipment reducing the time required for a specific treatment or test). This fact was stressed in interviews with medical users who complained that the obligations to award contracts to the lowest price results in reduced quality.

More flexible evaluation and selection approaches – such as points and percentages and cost-benefit analysis – better allow balancing conflicting objectives and mitigating or eliminating specific risks at all stages of the procurement process (both pre- and post-award).

Positively, ISSSTE procurement units report having gradually introduced such types of evaluation processes and selection methods since 2011. As an example, more than half of the delegations reported using other methods, some of them (like Tabasco and Michoacan) indicating that a high percentage of their public spending is awarded under the point and percentage method. Furthermore, most of ISSSTE's procurement officials interviewed showed a willingness to increase the range of evaluation and selection methods they use.

However, procurement units experience difficulties in doing so due to a lack of experience, some referring to it as a “trial and error approach” and indicating that more training and tools (including specialised teams) are required. Also, they sometimes experience pressure from certain suppliers if a selection method other than the lowest bidder is selected, even though other suppliers generally prefer the system of points and best value.

In order to facilitate the diversification of the evaluation and selection methods used in the organisation, ISSSTE could consider developing training and documents to provide guidance to procurement units on when and how to use these methods to maximise the outcomes to the organisation while balancing conflicting objectives and priorities. In doing so, ISSSTE should capitalise on the experience of other Mexican entities that use such methods, for example by using associated training developed by SFP and by implementing joint documentation on best practices and lessons learnt.

Similarly, ISSSTE could consider initiating the use of reverse auctions for appropriate goods. This method was not used by any procurement unit until the joint solicitations issued September 2012 (see Box 5.1). Other Mexican federal entities report having reduced their prices by almost 10% through reverse auctions: CFE has saved more than USD 252 million in the acquisition of coal since 2009 (OECD, 2012c) and IMSS reduced its costs for some medicines, health material, mammography equipment and vehicles by USD 70 million between 2009 and 2011 (OECD, 2012d). IMSS even officially announced, in early 2011, its intention to increase the use of reverse auctions to all applicable purchases for which the laws and market allow.⁸

Interviews have highlighted a desire in ISSSTE to introduce reverse auctions, and it is part of a work plan established with SFP in June 2012. Such an effort would be facilitated by the change to the legislative framework currently considered by SFP, which would remove the prohibition to apply reverse auctions when small and medium enterprises from Mexico participate on an individual basis.⁹ While ISSSTE may initially want to limit reverse auctions to procedures using the “mandatory criteria and lowest-price” approach to create internal capability, it may consider subsequently extending it to other approaches (such as points and percentage) as allowed by the LAASSP.

Proposals for action

ISSSTE has recently gained momentum to achieve better results in circumstances where there is a low level of competition and to diversify its sourcing methods through consolidation efforts and the use of the “point and percentage” approach. In order to build on that momentum and further increase the contribution of the procurement function to the organisation while minimising various risks, ISSSTE could consider the following proposals:

1. Achieving a higher level of competition by:
 - Ensuring that proper market research is conducted together with the preliminary stage of planning, programming and budgeting, among others to ensure visibility on solutions available nationally and internationally to meet the requirements of the organisation.
 - Opening the initial public tendering to international suppliers whenever there is insufficient supply capacity at the national level.
 - Issuing a second competitive procedure open to international suppliers when a national one has been unsuccessful, unless doing so would result in clear and unavoidable damages to the organisation or prevent it from meeting its obligations. In such instances, ISSSTE should use its recent strategies to obtain better prices in tenders where there is a low level of competition.
 - reducing the use of exceptions to public tendering through:
 - decreasing ISSSTE’s reliance on products subject to intellectual property rights;
 - regularly investigating the use of the exceptions for urgency and force majeure to identify opportunities to improve the planning and management of its procurement function; and
 - making the use of the exception for unsuccessful public tendering subject to approval by a higher operational level, preferably by the Goods, Leasing and Services Committee.
2. Reducing the occurrences of requirement/contract splitting by:
 - Clarifying in its POBALINES what practices are considered to be requirement/contract splitting.
 - Periodically assessing the pattern of all contracts awarded below specific thresholds.
 - Introducing a functionality in any e-procurement system implemented facilitating such reviews and preparation of the associated reports, as well as automatically advising applicable stakeholders (e.g. procurement units, ICO) of suspect procurement activities.
3. Pursuing opportunities for additional consolidation efforts within the organisation (at organisational, regional or unit level) and with other entities (e.g. of the Mexican health sector) when the expected benefits (including, but not limited to savings) outweigh the associated risks (e.g. reduce supply security) and operational constraints.
4. Promoting the use of flexible contractual instruments (e.g. framework agreements, open contracts, multi-year contracts and contracts with options) as to maximise the efficiency and outcome of the procurement process while managing existing constraints, such as budget uncertainty.
5. Maximising the global outcomes and buy-in of central sourcing strategies (e.g. consolidation contracts) by:

- Implementing appropriate impact assessments and formal consultations (including with decentralised procurement units and impacted user areas) both in the development of the strategy and following its implementation.
 - Assessing the benefits and savings achieved at the organisational level and communicating them throughout the organisation (e.g. procurement units, user areas, senior management) and to external stakeholders (ICO, the public, civil society, etc.).
6. Promoting the use of a larger range of evaluation and selection criteria, including reverse auctions and life-cycle cost assessments, through training, documents and guidelines to inform procurement units when and how to use them as to maximise the outcomes to the organisation while balancing conflicting objectives and priorities. Preferably, this should be done through dialogue and contribution with other Mexican public buying organisations and SFP.

Notes

1. Details on the ISSA Good Practice Award for the Americas are available at www.issa.int/News-Events/News2/The-ISSA-Good-Practice-Award-for-the-Americas. Competition results for 2012 can be found at www.issa.int/content/download/173040/3434431/file/2-GPA-Americas2012.pdf, accessed 4 October 2013.
2. For example, it can be unclear to some stakeholders under what circumstances the acquisition of distinct requirements of a single project in more than one procurement process is appropriate, and when it is considered as contract splitting.
3. In implementing this functionality, it would be important to distinguish between stand-alone contracts and contracts issued under framework agreements, in which case, issuing numerous contracts for the same requirement may be appropriate if they are in line with the established rules.
4. Article 28 of the Law of Acquisitions, Leasing and Services of the Public Sector (*Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público*, LAASSP).
5. *Ibid.*
6. While opening public tendering to international suppliers maximises competition, the current Mexican procurement legislation only allows doing it in specific circumstances.
7. On 16 January 2012, Article 28 of the LAASSP was modified to require that public tendering issued pursuant to an unsuccessful national public tendering be open to all international suppliers, while only an international public tendering under the trade agreements was previously required.
8. See the press release of 13 January 2011 at: www.cfc.gob.mx/images/stories/Noticias/Comunicados2011/comunicado13-ene-2011.pdf, accessed 4 October 2013.
9. Article 28 of the LAASSP.

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